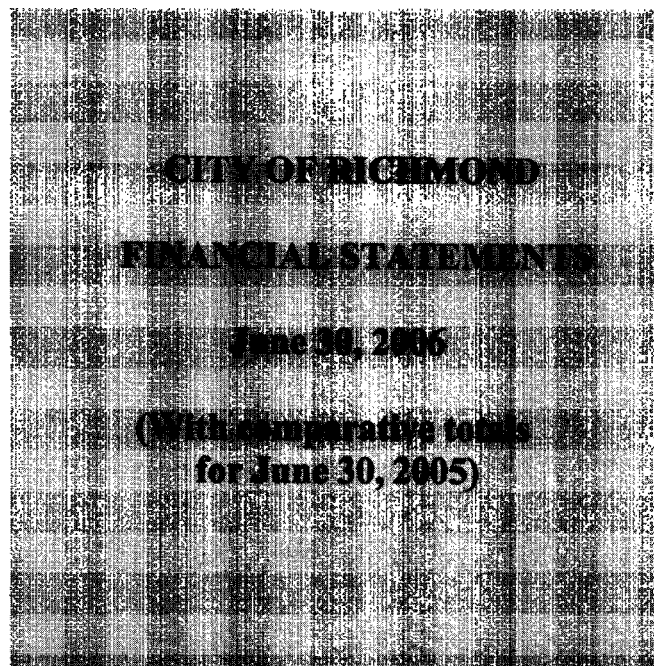




Peterson  
Allred  
Jackson



▪ Certified Public Accountants  
Business Consultants

2100 North Main • North Logan, Utah 84341

Phone (435) 752-6441

Fax (435) 752-6451

Email [firm@pajcpa.com](mailto:firm@pajcpa.com)

**CITY OF RICHMOND**  
**TABLE OF CONTENTS**

<b>Financial Section</b>	<b><u>Page</u></b>
Independent Auditors' Report	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets – Proprietary Funds	15
Statement of Revenue, Expenditures and Changes in Fund Net Assets – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Notes to Financial Statements	21
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	37

**CITY OF RICHMOND**  
**TABLE OF CONTENTS**

<b>Supplementary Information</b>	<b><u>Page</u></b>
<b>Governmental Funds:</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	40
Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	47
Schedule of Revenues and Expenditures – Budget and Actual – Cub River Sports Complex	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	49
<b>Proprietary Funds:</b>	
Statement of Revenues and Expenditures – Budget and Actual – Water Utility Fund	50
Statement of Revenues and Expenditures – Budget and Actual – Sewer Fund	51
<b>Fiduciary Funds:</b>	
Schedule of Additions and Deletions – Agency Fund	53
Schedule of Impact Fees	54
<b>Governmental Audit Report:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	57
<b>State Compliance Report:</b>	
Report on Compliance with State Legal Compliance Requirements	60
Management letter with responses	62



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Richmond  
Richmond, UT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond, Utah (the City) as of and for the year ended June 30, 2006, which collectively comprises the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financials statements referred to above present fairly, in all material respect, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results for our audit.

The Management's Discussion and Analysis on pages 3-7 and page 37, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Peterson Alfred Jackson*

November 14, 2006

**CITY OF RICHMOND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

As management of Richmond City we offer readers of Richmond City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2006. This overview and analysis is also intended to assist interested parties in understanding the significant financial issues, including identifying changes in the City's financial position (its ability to address the next and subsequent year's challenges), identifying any material changes to the original budget and identifying individual fund issues of concerns. This analysis requires that you also consider the information presented in City's financial statement.

**FINANCIAL HIGHLIGHTS**

- The total net assets of Richmond City were \$4,147,964. Of this amount, \$2,960,741 consists of capital assets, net of any related debt and \$79,635 of restricted net assets. As a result, the City has \$379,768 of unrestricted governmental net assets and \$727,820 of unrestricted business-type net assets.
- The City operated its governmental activities as planned.

**REPORTING THE CITY AS A WHOLE**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

*The government-wide financial statements* are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of Richmond City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Richmond City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Richmond City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 9 & 10 of this report.

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Richmond City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the way money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- Proprietary funds – Richmond City maintains one type of proprietary fund (enterprise funds), which reports the same functions presented as business-type activities in the government-wide financial statements. Richmond City uses enterprise funds to account for its Water Utility and Sewer Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Richmond City, assets exceed liabilities by \$4,147,964.

By far the largest portion of Richmond City's net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The accompanying financial statements outline and show the revenue and expenditures, together with transfers and changes in the beginning and ending net assets in both the governmental and business-type activities.

**CITY OF RICHMOND**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**Statement of Net Assets**

	Governmental Activities		Business Type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 506,142	\$ 277,128	\$ 813,025	\$ 840,940
Capital assets	1,628,267	1,734,138	2,667,287	2,567,473
<b>Total assets</b>	<b>2,134,409</b>	<b>2,011,266</b>	<b>3,480,312</b>	<b>3,408,413</b>
Current liabilities	98,438	106,859	25,390	31,466
Non-current liabilities	35,036	53,278	1,307,893	1,432,893
<b>Total liabilities</b>	<b>133,474</b>	<b>160,137</b>	<b>1,333,283</b>	<b>1,464,359</b>
Invested in capital assets, net of related debt	1,601,347	1,686,535	1,359,394	1,134,580
Restricted	19,820	16,272	59,815	52,428
Unrestricted	379,768	148,322	727,820	757,046
<b>Total net assets</b>	<b>\$ 2,000,935</b>	<b>\$ 1,851,129</b>	<b>\$ 2,147,029</b>	<b>\$ 1,944,054</b>

**Changes in Net Assets**

<b>Revenues</b>				
Program revenues				
Charges for services	\$ 272,496	\$ 227,374	\$ 532,491	\$ 502,286
Operating grants and contributions	130,600	96,511	-	-
Capital grants and contributions	72,055	-	-	-
General revenues				
Taxes	430,891	384,908	-	-
Other	11,538	10,448	31,050	17,212
<b>Total revenues</b>	<b>917,580</b>	<b>719,241</b>	<b>563,541</b>	<b>519,498</b>
<b>Expenses:</b>				
General government	150,458	167,406	-	-
Public safety	136,611	125,349	-	-
Streets/highways	351,742	457,462	-	-
Parks, recreation and public property	60,589	57,380	-	-
Library	68,374	61,790	-	-
Interest	-	-	-	-
Water utility	-	-	206,515	156,718
Sewer	-	-	154,051	162,180
<b>Total expenses</b>	<b>767,774</b>	<b>869,387</b>	<b>360,566</b>	<b>318,898</b>
Changes in net assets	149,806	(150,146)	202,975	200,600
Net assets - beginning	1,851,129	2,001,275	1,944,054	1,743,454
<b>Net assets - ending</b>	<b>\$ 2,000,935</b>	<b>\$ 1,851,129</b>	<b>\$ 2,147,029</b>	<b>\$ 1,944,054</b>



## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2006, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$407,704.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to match revenues and expenses are accounted for in this fund. Taxes are the largest source of revenue in the General Fund and represent 51% of total general fund revenues. The largest element is sales taxes, which represent 44% of total tax revenues and 22% of total General Fund revenues. In addition, property tax (including motor vehicles taxes) represents 23% of total tax revenue and represents 12% of total general fund revenues.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund's original budget was amended from an original budget expenditures total of \$635,835 to a final budget of \$795,137. These increases were needed for increase in costs for the Arts Council, sanitation costs, Class C road costs, and library grant expenses.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets – Richmond City's investment in capital assets (net of accumulated depreciation) as of June 30, 2006, amounts to \$4,295,554 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

Long-term debt – At June 30, 2006, the City had total lease debt outstanding of \$26,920. Business Activity (enterprise funds) bonds equal \$1,307,893. Compensated absences totaled \$8,116 for the governmental activities. During the year, the City made its required principal and interest payments on all other debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The General Fund budget for revenues is expected to be about the same for the fiscal year ending June 30, 2007 with cost of living and insurance increases being the major contributors to the overall increase.

## **REQUESTS FOR INFORMATION**

This final report is designed to provide a general overview of the City's finances for all those with an interest in the City's financials. Questions concerning any information provided in this report or request for additional information should be addressed to: City Manager or Recorder, Richmond City Corporation, 6 West Main, Richmond, UT 84333.

## **Basic Financial Statements**

**CITY OF RICHMOND**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**  
**(With Comparative Amounts for June 30, 2005)**

	Primary Government			
	Governmental	Business-type	2006	2005
	Activities	Activities	Total	Total
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 341,154	\$ 696,938	\$ 1,038,092	\$ 858,080
Accounts receivable	28,012	56,272	84,284	77,078
Due from other governments	114,718	-	114,718	112,378
Prepaid expenses	2,438	-	2,438	1,832
Restricted assets:				
Cash and cash equivalents	-	59,815	59,815	52,428
Accounts receivable	19,820	-	19,820	16,272
Capital assets, net	1,628,267	2,667,287	4,295,554	4,301,611
<b>Total assets</b>	<b>2,134,409</b>	<b>3,480,312</b>	<b>5,614,721</b>	<b>5,419,679</b>
<u>Liabilities</u>				
Accounts payable and accrued expenses	23,581	12,624	36,205	41,383
Accrued interest	-	11,936	11,936	13,074
Deposits	-	830	830	9,011
Deferred revenue	74,857	-	74,857	74,857
Noncurrent liabilities:				
Due within one year	26,116	126,500	152,616	148,195
Due in more than one year	8,920	1,181,393	1,190,313	1,337,976
<b>Total liabilities</b>	<b>133,474</b>	<b>1,333,283</b>	<b>1,466,757</b>	<b>1,624,496</b>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	1,601,347	1,359,394	2,960,741	2,821,115
Restricted	19,820	59,815	79,635	68,700
Unrestricted	379,768	727,820	1,107,588	905,368
<b>Total net assets</b>	<b>\$ 2,000,935</b>	<b>\$ 2,147,029</b>	<b>\$ 4,147,964</b>	<b>\$ 3,795,183</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts for the Year Ended June 30, 2005)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Activities:</b>					2006 Total	2005 Total
Primary government:						
Governmental:						
General government	\$ 150,458	\$ 29,900	\$ -	\$ -	\$ (120,558)	\$ (120,558)
Public safety	136,611	93,863	3,059	-	(39,689)	(49,833)
Streets and highway	351,742	133,502	93,085	72,055	(53,100)	(250,505)
Parks, recreation & public property	60,589	15,231	16,075	-	(29,283)	(38,546)
Library	68,374	-	18,381	-	(49,993)	(56,809)
Total governmental activities	<u>767,774</u>	<u>272,496</u>	<u>130,600</u>	<u>72,055</u>	<u>(292,623)</u>	<u>(545,502)</u>
Business-type activities:						
Water	206,515	299,488	-	-	-	92,973
Sewer	154,051	233,003	-	-	-	78,952
Total business-type activities	<u>360,566</u>	<u>532,491</u>	<u>-</u>	<u>-</u>	<u>171,925</u>	<u>183,388</u>
Total primary government	<u>\$ 1,128,340</u>	<u>\$ 804,987</u>	<u>\$ 130,600</u>	<u>\$ 72,055</u>	<u>(292,623)</u>	<u>(120,698)</u>
General Revenues:						
Taxes:						
Sales and use tax					226,105	174,834
Franchise tax					107,365	112,668
Property tax					97,421	97,406
Total taxes					<u>430,891</u>	<u>384,908</u>
Miscellaneous					1,544	2,400
Investment income					9,994	25,260
Total general revenues					<u>442,429</u>	<u>412,568</u>
Change in net assets					149,806	50,454
Net assets - beginning					1,851,129	3,744,729
Net assets - ending					<u>\$ 2,000,935</u>	<u>\$ 3,795,183</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**GOVERNMENTAL FUNDS TYPE**  
**BALANCE SHEET**  
**June 30, 2006**  
**(With Comparative Amounts for June 30, 2005)**

			Total	
	General	Nonmajor Funds	Governmental Funds	
			2006	2005
<u>Assets</u>				
Pooled cash & cash equivalents	\$ 204,746	\$ 136,408	\$ 341,154	\$ 113,865
Accounts receivable	28,012	-	28,012	32,781
Due from other governments	114,718		114,718	112,378
Due from other funds	-	-	-	-
Prepaid expense	2,438	-	2,438	1,832
Restricted assets:				
Accounts receivable	19,820	-	19,820	16,272
Total assets	<u>\$ 369,734</u>	<u>\$ 136,408</u>	<u>\$ 506,142</u>	<u>\$ 277,128</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 23,581	\$ -	\$ 23,581	\$ 24,386
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deposits	-	-	-	7,616
Deferred liabilities	74,857	-	74,857	74,857
Total liabilities	<u>98,438</u>	<u>-</u>	<u>98,438</u>	<u>106,859</u>
Fund equity and other credits:				
Fund balance:				
Reserved-Class C roads	19,820	-	19,820	16,272
Unreserved - undesignated	251,476	136,408	387,884	153,997
Total fund balances	<u>271,296</u>	<u>136,408</u>	<u>407,704</u>	<u>170,269</u>
Total liabilities and fund balances	<u>\$ 369,734</u>	<u>\$ 136,408</u>	<u>\$ 506,142</u>	<u>277,128</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**RECONCILIATION OF THE BALANCE SHEET**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**For the Year Ended June 30, 2006**

Total fund balances for governmental funds	\$ 407,704
--	------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$ 43,125	
Infrastructure	3,150,486	
Building	889,347	
Equipment	486,148	
Accumulated depreciation	<u>(2,940,839)</u>	1,628,267

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	(8,116)	
Capital leases	<u>(26,920)</u>	<u>(35,036)</u>

Net assets of governmental activities	<u><u>\$ 2,000,935</u></u>
---------------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts For the Year Ended June 30, 2005)**

	General	Nonmajor Fund	Total Governmental Funds	
			2006	2005
Revenues:				
Taxes	\$ 430,891	\$ -	\$ 430,891	\$ 384,908
Licenses and permits	11,429	-	11,429	14,991
Intergovernmental	117,168	72,061	189,229	90,355
Charges for services	171,810	-	171,810	156,410
Fines and forfeitures	64,458	-	64,458	52,947
Library	18,381	-	18,381	4,981
Miscellaneous revenues	28,622	2,760	31,382	14,649
Total revenues	842,759	74,821	917,580	719,241
Expenditures:				
General government	134,251	-	134,251	147,965
Public safety	132,034	-	132,034	120,772
Streets and public improvements	286,936	-	286,936	376,797
Parks, recreation and public property	51,050	7,500	58,550	57,380
Library	68,374	-	68,374	58,751
Total expenditures	672,645	7,500	680,145	761,665
Excess (deficiency) of revenues over expenditures	170,114	67,321	237,435	(42,424)
Other financing sources (uses):				
Transfers in	-	7,500	7,500	91,033
Transfers out	(7,500)	-	(7,500)	(91,033)
Total other financing sources (uses)	(7,500)	7,500	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	162,614	74,821	237,435	(42,424)
Fund balances - July 1	108,682	61,587	170,269	212,693
Fund balances - June 30	\$ 271,296	\$ 136,408	\$ 407,704	\$ 170,269

The accompanying notes are an integral part of these financial statements.



**CITY OF RICHMOND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2006**

Net change in fund balances-total governmental funds	\$ 237,435
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$136,631) exceeded capital outlays (\$30,760) in the current period.	(105,871)
Capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayment of capital lease principal are expenditures in the governmental funds. Compensated absences are an expense in the statement of activities but not in governmental funds.	
Changes in compensated absences	(2,441)
Payments of principal on capital leases	<u>20,683</u>
Change in net assets of governmental activities	<u><u>\$ 149,806</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2006**  
**(With Comparative Amounts for June 30, 2005)**

	Water Utility Fund	Sewer Fund	Total Enterprise Funds	
			2006	2005
<u>Assets</u>				
Cash and cash equivalents	\$ 331,198	\$ 365,740	\$ 696,938	\$ 744,215
Accounts receivable, net	35,535	20,737	56,272	44,297
Restricted assets:				
Cash and cash equivalents	-	59,815	59,815	52,428
Capital assets, net	1,807,056	860,231	2,667,287	2,567,473
 Total assets	 2,173,789	 1,306,523	 3,480,312	 3,408,413
<u>Liabilities</u>				
Accounts payable	5,453	7,171	12,624	16,997
Accrued interest	3,800	8,136	11,936	13,074
Deposits	830	-	830	1,395
Noncurrent liabilities:				
Due within one year	92,000	34,500	126,500	125,000
Due in more than one year	900,893	280,500	1,181,393	1,307,893
 Total liabilities	 1,002,976	 330,307	 1,333,283	 1,464,359
<u>Net Assets</u>				
Invested in capital assets, net of related debt	814,163	545,231	1,359,394	1,134,580
Restricted	-	59,815	59,815	52,428
Unrestricted	356,650	371,170	727,820	757,046
 Total net assets	 \$ 1,170,813	 \$ 976,216	 \$ 2,147,029	 \$ 1,944,054

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND TYPES**  
**For the Year Ended June 30, 2006**  
**( With Comparative Amounts for the Year Ended June 30, 2005)**

	Water Utility Fund	Sewer Fund	Total Enterprise Funds	
			2006	2005
Operating revenues:				
Charges for services	\$ 281,845	\$ 194,977	\$ 476,822	\$ 434,209
Connection fees	4,260	-	4,260	22,066
Miscellaneous	500	30,824	31,324	12,575
Total operating revenues	286,605	225,801	512,406	468,850
Operating expenses				
Salaries and benefits	40,967	32,777	73,744	80,971
Current expenses	80,224	68,262	148,486	98,204
Depreciation	77,451	37,707	115,158	113,888
Total operating expenses	198,642	138,746	337,388	293,063
Operating income	87,963	87,055	175,018	175,787
Non-operating income (expense)				
Interest expense	(7,873)	(15,305)	(23,178)	(25,835)
Impact fees	12,883	7,202	20,085	33,436
Interest income	13,806	17,244	31,050	17,212
Total non-operating revenue (expense)	18,816	9,141	27,957	24,813
Change in net assets	106,779	96,196	202,975	200,600
Net assets - July 1	1,064,034	880,020	1,944,054	1,743,454
Net assets - June 30	\$ 1,170,813	\$ 976,216	\$ 2,147,029	\$ 1,944,054

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2006  
(With Comparative Amounts for the Year Ended June 30, 2005)

	Water Utility Fund	Sewer Fund	Total Enterprise Funds	
			2006	2005
<u>Cash flows from operating activities:</u>				
Receipts from customers and users	\$ 275,867	\$ 224,564	\$ 500,431	\$ 475,549
Payments to suppliers	(88,240)	(66,322)	(154,562)	(83,248)
Payments to employees	(40,967)	(32,777)	(73,744)	(80,971)
Net cash provided by operating activities	146,660	125,465	272,125	311,330
<u>Cash flows from non-capital financing activities</u>				
Impact fees	12,883	7,202	20,085	33,436
Net cash provided by non-capital financing activities	12,883	7,202	20,085	33,436
<u>Cash flows from capital and related financing activities:</u>				
Acquisition and construction of capital assets	(75,168)	(139,804)	(214,972)	(109,524)
Principal payments on bonds	(92,000)	(33,000)	(125,000)	(123,000)
Interest payments on bonds	(7,873)	(15,305)	(23,178)	(25,835)
Net cash used in capital and related financing activities	(175,041)	(188,109)	(363,150)	(258,359)
<u>Cash flows from investing activities:</u>				
Interest received	13,806	17,244	31,050	17,212
Net cash provided by investing activities	13,806	17,244	31,050	17,212
Net increase in cash and cash equivalents	(1,692)	(38,198)	(39,890)	103,619
Cash and equivalents at beginning of year	332,890	463,753	796,643	693,024
Cash and equivalents at end of year	<u>\$ 331,198</u>	<u>\$ 425,555</u>	<u>\$ 756,753</u>	<u>\$ 796,643</u>
Shown in the Statement of Net Assets as:				
Cash and cash equivalents	\$ 331,198	\$ 365,740	\$ 696,938	\$ 744,215
Restricted cash equivalents at end of year	-	59,815	59,815	52,428
	<u>\$ 331,198</u>	<u>\$ 425,555</u>	<u>\$ 756,753</u>	<u>\$ 796,643</u>

(continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts for the Year Ended June 30, 2005)**

	Water Utility Fund	Sewer Fund	Total Enterprise Funds	
			2006	2005
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 87,963	\$ 87,055	\$ 175,018	\$ 175,787
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	77,451	37,707	115,158	113,888
Changes in assets & liabilities:				
(Increase) decrease in accounts receivable	(10,738)	(1,237)	(11,975)	6,699
Increase (decrease) in accounts payable	(7,451)	1,940	(5,511)	16,001
Decrease in deposits	(565)	-	(565)	(1,045)
Total adjustments	58,697	38,410	97,107	135,543
Net cash provided (used) by operating activities:	<u>\$ 146,660</u>	<u>\$ 125,465</u>	<u>\$ 272,125</u>	<u>\$ 311,330</u>

The accompanying notes are an integral part of these financial statements.

This page is intentionally left blank

**CITY OF RICHMOND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2006**

	<u>Agency Funds</u>
Assets:	
Pooled cash and cash equivalents	\$ 134,620
Furniture, fixtures and equipment	<u>20,045</u>
Total assets	<u><u>\$ 154,665</u></u>
Liabilities:	
Payables	\$ 1,188
Due to other government units	<u>153,477</u>
Total liabilities	<u><u>\$ 154,665</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1 – Summary of Significant Accounting Policies**

The City of Richmond, Utah (the City), operates as an incorporated governmental entity within the State of Utah. The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, health services and general administrative services. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

**Reporting Model**

GASB Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*" is shown in accordance with terms of that pronouncement. Significant changes in 2004 financial statements arising from this pronouncement are as follows.

The financial statements include a Management's Discussion and Analysis (MD&A) section, which provides an analysis of the City's overall financial position and results of operations.

The Statement of Net Assets and Statement of Activities are new statements and have been prepared using accrual accounting.

The financial statements focus on "Major Funds" and provide a reconciliation between fund balance and net assets.

In addition to the financial statement changes noted above, required changes in note disclosures are included in the basic financial statements.



## **Financial Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The accounting policies of the City conform to generally accepted accounting principles. The City participates in the Cache Valley Transit District (CVTD), which is a separate legal entity that is not controlled or dependent upon the City. However the City has imposed a  $\frac{1}{4}$  of 1% sales tax to fund the CVTD. The Utah State Auditor's Office has determined that the sales tax is in effect collected by the CVTD and that the related revenue and expenditures should be excluded from these financial statements.

The City has an agreement with Lewiston City to jointly operate the Cub River Sports Complex. Accounting for the Cub River Sports Complex was transferred to Lewiston City at the beginning of fiscal year 2003.

The City has created a Municipal Building Authority (MBA) in anticipation of future bonding needs. The MBA was not funded and had no financial activity during the year.

The Richmond City Cemetery District (the District) is a separate legal entity that the City does not control and is not dependent on the City. However, the District has contracted with the City to perform accounting duties, collect funds and pay bills as directed by the District. This activity is reported in the City's agency fund.

The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Controls or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

## **Basic Financial Statements – Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, highway and streets, sanitation, recreation, public improvements, planning and zoning, health services and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts, - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function of business-type activities) are normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

These government-wide statements focus more on the the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

### **Basic Financial Statements – Fund Statements**

The City's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions or specific purposes.

Separate financial statements are provided for governmental fund and proprietary fund. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

The following fund types are used by the City.

#### *Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legal restricted to expenditures for specified purposes.
- The Capital Projects Fund is used to account for the financial resources to be used for the acquisition of capital facilities and equipment by the City.

The City's major governmental funds consist of the following:

**General Fund** - see description above.

The City's nonmajor governmental funds consist of the Cub River Sports Complex special revenue fund and the capital projects fund.

## *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally results from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

**Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City's major enterprises funds consist of the following:

**Water Utility Fund** – This fund accounts for the water services provided to City residents.

**Sewer Fund** – This fund accounts for the collection of sewer products by the City sewer system.

*Fiduciary Funds* (Not included in government-wide statements).

The City's fiduciary funds consist solely of an agency fund. Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The agency fund consists of:

**The Richmond Cemetery District** – This fund is used to account for the funds held on behalf of the Richmond City Cemetery District.

## **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

### *Accrual*

Both governmental and business-type activities in the government-wide financial statement and the proprietary fund financial statements are represented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

## *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However debt service and compensated absences expenditures are recorded only when payment is due.

### **Financial statement Amounts**

#### *Cash and cash equivalents*

For the purpose of the Statement of Net Assets, the term "cash and cash equivalents" includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

#### *Interfund Receivables and Payables*

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Assets.

#### *Accounts Receivable and Due From Other Government*

Receivables consist of all revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends. Receivable balances for the governmental activities include sales taxes, franchise taxes, property taxes, garbage collection fees, and ambulance fees. Business-type activities report receivables for utility service fees.

#### *Capital Assets*

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	30 years
Improvements other than buildings	10 to 50 years
Structures and systems	15 to 60 years
Equipment	3 to 20 years

GASB Statement No. 34 requires the City to report infrastructure assets effective with the beginning of fiscal year 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities) etc.

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

#### *Capitalized Interest*

The City capitalizes net interest costs as part of the cost of construction of proprietary capital projects when material.

#### *Deferred Revenues*

In the government-wide statement and the proprietary fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable.

#### *Compensated Absences*

The City's policies regarding vacation time permit employees to accumulate unused vacation leave. The City's policies regarding sick leave allow employees to receive up to one-half of their accrued sick leave, limited to 45 days, as a termination benefit if they voluntarily retire or resign. The liability for these compensated absences is recorded as long-term debt in the government-wide statement for governmental activities and as accrued liabilities in the business-type activities. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a liability for compensated absences while proprietary funds report the liability as it is incurred. Compensated absences related to governmental activities are usually liquidated by the General Fund.

#### *Long-term Debt*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government wide financial statements. The long-term debt consists primarily of bonds payable, capital leases payable, note payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statement as it is in the government-wide statements.

#### *Equity Classifications*

Equity in the government-wide financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net assets – consists of net assets with constraints placed on the City by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Government fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide financial statements.

### *Revenues*

Property taxes, franchise taxes, licenses, fees-in-lieu, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the City receives cash. Grants are usually reimbursable grants and are thus recognized as revenue at the time the expenditures are made.

Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In addition, other revenues that do not result from providing services are reported as non-operating revenues.

### *Expenses/Expenditures*

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City’s general policy to use restricted resources first.

For proprietary fund financial statements, operating expenses are those that result from providing services to customers.

### *Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

### *Property Tax Calendar*

Cache County assesses all taxable property other than centrally assessed property, which is assessed through the State, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

## *Legal Compliance – Budgets*

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for proprietary funds are adopted on a legally enacted basis. The legally enacted budget differs from a GAAP basis budget by including debt proceeds, capital expenses and principal payments and excluding depreciation expense. Annual appropriated budgets are adopted for the general and proprietary funds. All annual appropriations lapse at fiscal year end. On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officers so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at the first scheduled meeting in May. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The City financial officer must, within the revenues and reserves, estimate any changes in the budget as available or revenue estimates may be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22, and adoption of budgets is done similarly.

State statute requires that City officers shall not incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Only the Council at a properly advertised public hearing can make increases in total fund appropriations. The budget information presented is after approved amendments.

### **Note 2 – Cash and Cash Equivalents**

#### **Deposits and Investments**

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

#### **Custodial Credit Risk**

**Deposits.** Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, none of the local government's bank balances of \$24,511 were uninsured and uncollateralized.

#### **Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and

Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments had investments of \$1,238,055 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTFI and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

#### Note 3 – Accounts Receivable and Due from other Governments

The City's due from other governments and accounts receivable at June 30, 2006 consist of the following:

##### *Governmental activities*

##### **Due from other governments:**

General fund:	
Property taxes – current	\$ 4,182
Property taxes – deferred to future periods	74,857
Sales tax	<u>35,679</u>
Total general fund	\$ <u>114,718</u>

##### **Accounts receivable:**

General fund:	
Garbage, net of \$750 allowance	\$ 15,158
Franchise taxes	5,853
Other	<u>7,001</u>
Total general fund accounts receivable	\$ <u>28,012</u>
General Fund restricted:	
Class "C" roads	\$ <u>19,820</u>

##### *Business-type activities*

##### **Accounts receivable:**

Water fund:	
Water services and fees, net of \$1,000 allowance	\$ 35,535



Sewer fund:

Sewer services and fees, net of \$250 allowance 20,737

Total accounts receivable \$ 56,272

**Note 4 – Refundable Deposits**

The Water Utility Fund requires a security deposit from all renters, which is refunded upon termination of service if no balance is owed on the customer account. If an outstanding balance exists at termination, the deposit is first applied to the outstanding balance with any excess refunded. The deposit is reported as a liability in the Water Utility Fund. Security deposits in the Water Utility Fund of \$830 were held by the City at June 30, 2006.

**Note 5 – Capital Assets**

Capital asset changes occurring for the year ended June 30, 2006, are as follows:

	June 2005	Additions	Deletions	June 30 2006
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ <u>43,125</u>	\$ _____	\$ _____	\$ <u>43,125</u>
Total capital assets not being depreciated	<u>43,125</u>	_____	_____	<u>43,125</u>
Capital assets being depreciated:				
Building and improvements	896,217		6,870	889,347
Equipment	455,388	30,760		486,148
Infrastructure	<u>3,150,486</u>	_____	_____	<u>3,150,486</u>
Total capital assets being depreciated	<u>4,502,091</u>	_____	_____	<u>4,525,981</u>
Accumulated depreciation	(2,811,078)	(136,631)	(6,870)	(2,940,839)
Total capital assets being depreciated, net	<u>1,691,013</u>	<u>(105,871)</u>	_____	<u>1,585,142</u>
Total governmental activities capital assets, net	<u>\$1,734,138</u>	<u>\$(105,871)</u>	\$ _____	<u>\$1,628,267</u>
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated:				
Land and Water Rights	\$ <u>166,044</u>	\$ <u>111,515</u>	\$ <u>1,500</u>	<u>\$276,059</u>
Total capital assets not being depreciated	<u>166,044</u>	<u>111,515</u>	<u>1,500</u>	<u>276,059</u>
Capital assets being depreciated:				
Structures and systems	<u>4,125,981</u>	<u>104,957</u>	_____	<u>4,230,938</u>
Accumulated depreciation for:				
Structures and systems	<u>(1,724,552)</u>	<u>(115,158)</u>	_____	<u>(1,839,710)</u>

Total capital assets being depreciated, net	<u>2,401,429</u>	<u>(10,201)</u>	<u>-</u>	<u>2,391,228</u>
Total business-type activities capital assets, net	<u>\$2,567,473</u>	<u>\$ 101,314</u>	<u>\$ 1,500</u>	<u>\$2,667,287</u>

Depreciation expense of governmental activities was charged to functions as follows:

General government	\$ 13,766
Streets and highways	116,249
Public Safety	4,577
Culture, parks and recreation	<u>2,039</u>
Total depreciation expense	<u>\$ 136,631</u>

#### **Note 7 – Long-term Obligations**

Long-term liability activity for fiscal year ending June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental activities:</u></b>					
Capital leases payable	\$ <u>47,603</u>	\$ <u>-</u>	\$ <u>(20,683)</u>	\$ <u>26,920</u>	\$ <u>22,000</u>
Total governmental Long-term liabilities	\$ <u>47,603</u>	\$ <u>-</u>	\$ <u>(20,683)</u>	\$ <u>26,920</u>	\$ <u>22,000</u>
<b><u>Business-type activities</u></b>					
Bonds payable	\$ <u>1,432,893</u>	\$ <u>-</u>	\$ <u>(125,000)</u>	\$ <u>1,307,893</u>	\$ <u>126,500</u>
Total business-type Long-term liabilities	\$ <u>1,432,893</u>	\$ <u>-</u>	\$ <u>(125,000)</u>	\$ <u>1,307,893</u>	\$ <u>126,500</u>

#### ***Governmental Activities***

Governmental activities long-term debt was comprised of the following:

#### **Capital Leases**

The City has entered into a capital lease agreement with Zions Bank to provide financing for the construction of assets. The agreement requires that the City lease assets to Zions Bank for \$1 annually and provide capital lease financing to the City with a maximum limit of \$250,000. The agreement expires at the end of each fiscal year but is automatically extended for one year periods until January 1, 2009. Zions Bank subleases the assets to the City with an interest factor of 75% of the bank's prime rate. The balance as of June 30, 2006 on this lease agreement was \$26,920.

At June 30, 2006, the cost of assets financed by capital leases recorded in the governmental activities was \$206,293 and the accumulated depreciation was \$55,011.

The following is a schedule of the estimated future minimum lease payments under the governmental activities capital lease and the present value of the net minimum lease payments.

Year Ending June 30	
2007	\$ 22,000
2006	<u>6,804</u>
Net minimum lease payments	28,804
Less amount representing interest	<u>(1,884)</u>
Present value of net minimum lease payments	\$ <u>26,920</u>

### *Business-type Activities*

### **Bonds Payable**

Business-type activities bonds payable were comprised of the following:

\$841,000 Water Revenue Bonds Series 1993A due to the Utah State Division of Finance Water Resources in annual installments ranging from \$21,000 to \$58,000 at maturity on January 1, 2014, non-interest bearing	\$ 392,946
\$841,000 Water Revenue Bonds Series 1993B due to the Utah State Division of Finance Safe Drinking Water in Annual installments ranging from \$29,000 to \$39,000 at Maturity on January 1, 2019, plus interest at 1.25%	470,000
\$248,381 Water Revenue Bonds Series 1993C due to the Utah State Division of Finance Safe Drinking Water in Annual installments ranging from \$9,000 to \$11,000 at Maturity on January 1, 2019, plus interest at 1.267%	129,947
\$280,000 Sewer Revenue Bonds due to Farmers Home Administration in annual installments ranging from \$5,500 to \$45,500 at maturity on January 1, 2011, plus interest at 5.0%	96,000
\$357,000 Sewer Revenue Bonds due to the State of Utah, Department of Environmental Quality, in annual installments Ranging from \$17,000 to \$32,000 at maturity on February 1, 2014, plus interest at 4.5%	<u>219,000</u>
Total business-type activities bonds payable	\$ <u>1,307,893</u>

The annual requirements to amortize bonds payable of the business-type activities as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 126,500	22,333	148,833
2008	129,000	20,179	149,179
2009	132,000	17,941	149,941
2010	134,500	15,563	150,063
2011	168,000	13,104	181,104
2012-2016	477,946	26,848	504,794
2017-2019	<u>139,947</u>	<u>3,763</u>	<u>143,710</u>
Totals	\$ <u>1,307,893</u>	<u>119,731</u>	<u>1,427,624</u>

The management of the City believes that as of June 30, 2006, it was in compliance with the debt covenant of the outstanding revenue bonds.

#### **Note 8 - Pension Benefit Obligations**

The City contributes to the Utah Local Government Noncontributory Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The following briefly summarizes types of employees covered, benefit provisions, eligibility requirements and vesting for the systems participated in by the City.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

In the Local Governmental Noncontributory Retirement System, the City was required to contribute 11.09% of the eligible employees' annual covered salary. The contribution requirements of the Systems are authorized by statute as specified by the Board.

The City's contributions to the Systems for the years ended June 30, 2006, 2005 and 2004 were as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Employer contributions	\$11,573	14,083	11,618

All contributions by the City were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The Utah State Retirement Board of the Utah Retirement Systems provides the City with the necessary retirement disclosures for this report. The Utah Retirement Systems have implemented

the accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers".

The City maintains as a qualified defined contribution plan under section 401(k) of the Internal Revenue Code, which is administered by the Utah Retirement Systems. Under the plan, eligible employees may elect to contribute a portion of their salary, subject to Internal Revenue service limits. Contributions of \$9,854, \$15,876, and \$13,622 were made to the 401(k) plan during the years ended June 30, 2006, 2005 and 2004, respectively. Of these amounts \$7,223, \$13,348 and \$11,510 were contributed by employees, and \$2,632, \$2,529, and \$2,112 were contributed by the City of behalf on employees respectively.

#### **Note 9 – Restricted Net Assets/Reserved Fund Equity**

Restricted net assets and reserved fund equity represent moneys required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted net assets and reserved fund equity at June 30, 2006.

##### *Governmental Activities*

##### **General Fund**

Class C	\$ <u>19,820</u>
Total restricted	\$ <u>19,820</u>

##### *Business-type Activities*

##### **Sewer Fund**

Impact fees	\$ 9,952
Bond retirement	<u>49,863</u>
Total restricted net assets	<u>59,815</u>
Total business-type restricted net assets	\$ <u>59,815</u>

The City assesses impact fees for water and sewer improvements as allowed by State law. These fees are not intended to recover impact costs for growth in areas not assessed by the City.

#### **Note 10 – Risk Management**

The City is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust, a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured events. There have been no claim settlements that exceeded the City's insurance coverage for the past three years.

## **Required Supplementary Information**

This page is intentionally left blank

**CITY OF RICHMOND**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 347,431	\$ 413,844	\$ 430,891	\$ 17,047
Licenses and permits	8,700	11,200	11,429	229
Intergovernmental	80,441	97,229	117,168	19,939
Charges for services	153,363	177,722	171,810	(5,912)
Fines and forfeitures	40,000	58,000	64,458	6,458
Library	-	18,381	18,381	-
Miscellaneous revenues	5,900	18,761	28,622	9,861
Total revenues	635,835	795,137	842,759	47,622
Expenditures:				
General government	123,818	141,243	134,251	6,992
Public safety	111,761	137,312	132,034	5,278
Streets and public improvements	303,908	341,771	286,936	54,835
Parks, recreation and public property	41,406	52,639	51,050	1,589
Library	47,442	70,153	68,374	1,779
Total expenditures	628,335	743,118	672,645	70,473
Deficiency of revenues over expenditures	7,500	52,019	170,114	118,095
Other financing sources (uses):				
Transfers in (out):				
Capital projects fund	-	(44,519)	-	44,519
Special revenue fund	(7,500)	(7,500)	(7,500)	-
Total other financing sources	(7,500)	(52,019)	(7,500)	44,519
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	-	-	162,614	162,614
Fund balance - July 1	108,682	108,682	108,682	-
Fund balance - June 30	\$ 108,682	\$ 108,682	\$ 271,296	\$ 162,614



This page is intentionally left blank

**Supplementary Information**

**CITY OF RICHMOND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts For the Year Ended June 30, 2005)**

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes:				
General property taxes	\$ 76,863	\$ 79,576	\$ 2,713	\$ 73,210
Fee-in-lieu of property taxes	17,500	17,845	345	24,196
Sales and use taxes	182,500	189,210	6,710	174,834
Cell phone tax	32,981	36,895	3,914	-
Franchise taxes	104,000	107,365	3,365	112,668
Total taxes	413,844	430,891	17,047	384,908
Licenses & permits:				
Business licenses & permits	2,000	2,057	57	2,190
Non-business licenses and permits	9,200	9,372	172	12,801
Total licenses & permits	11,200	11,429	229	14,991
Intergovernmental:				
Class "C" roads	75,000	93,085	18,085	80,094
Cache County fire	4,955	4,955	-	4,029
Liquor allotment	1,909	1,909	-	1,775
Other grants	15,365	17,219	1,854	4,457
Total intergovernmental	97,229	117,168	19,939	90,355
Charges for services:				
Sanitation	130,000	133,502	3,502	126,863
Rent and use charges	24,771	15,231	(9,540)	12,832
Fire department	2,248	4,564	2,316	-
Planning and zoning/other	4,203	1,985	(2,218)	50
Central dispatch fee	16,500	16,528	28	16,665
Total charges for services	177,722	171,810	(5,912)	156,410
Fines & forfeitures:	58,000	64,458	6,458	52,947

(continued)

**CITY OF RICHMOND  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**For the Year Ended June 30, 2006  
(With Comparative Amounts For the Year Ended June 30, 2005)**

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
<b>Library:</b>				
Grants	18,346	18,346	-	3,877
Donations	35	35	-	1,104
Total library	18,381	18,381	-	4,981
<b>Miscellaneous revenues:</b>				
Interest	12,400	7,234	(5,166)	6,644
Donations	345	1,720	1,375	1,175
Black and white days	3,700	3,709	9	3,026
Other	2,316	15,959	13,643	2,400
Total miscellaneous	18,761	28,622	9,861	13,245
Total revenues	795,137	842,759	47,622	717,837
<b>Expenditures:</b>				
General government:				
Salaries and employee benefits	46,578	45,518	1,060	52,008
Travel and convention	1,800	1,012	788	1,838
Office expenses	14,400	13,535	865	13,819
Maintenance	6,000	7,635	(1,635)	22,239
Professional	7,700	7,749	(49)	11,621
Bonds and insurance	6,690	6,542	148	6,065
Court fines to state	18,060	17,135	925	18,448
Utilities	19,412	15,698	3,714	11,894
Youth council	700	613	87	1,824
Other	16,180	15,102	1,078	8,209
Elections	2,061	2,061	-	-
County planner	1,662	1,651	11	-
Capital outlay	-	-	-	-
Total general government	141,243	134,251	6,992	147,965

(continued)

**CITY OF RICHMOND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts For the Year Ended June 30, 2005)**

	2006			
	Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
<b>Public Safety:</b>				
Salaries and employee benefits	24,649	23,096	1,553	17,682
Travel and convention	7,742	7,187	555	3,068
Office expense	16,803	16,665	138	9,419
Supplies and maintenance	7,606	7,295	311	24,040
Professional	19,400	19,250	150	9,179
Bonds and insurance	9,285	8,319	966	8,217
Utilities	9,893	6,750	3,143	5,485
Law enforcement	18,800	18,800	-	18,800
Alcohol enforcement	1,909	1,909	-	1,775
Animal control	3,700	3,688	12	4,397
Dispatch center	17,300	17,300	-	15,496
Other	225	1,775	(1,550)	3,214
Capital outlay	-	-	-	-
<b>Total Public Safety</b>	<b>137,312</b>	<b>132,034</b>	<b>5,278</b>	<b>120,772</b>
<b>Streets &amp; public improvements:</b>				
Salaries and employee benefits	32,721	32,070	651	37,221
Travel and convention	-	-	-	205
Office expense	2,169	2,122	47	1,537
Maintenance	17,100	13,793	3,307	19,482
Professional	-	-	-	223
Special department supplies	90,000	27,667	62,333	98,884
Street lighting	18,950	18,809	141	19,900
Bonds and insurance	3,195	3,143	52	2,937
Other	3,960	3,079	881	693
Sanitation	132,000	132,593	(593)	126,314
Street debt service	2,900	22,900	(20,000)	22,901
Capital outlay	38,776	30,760	8,016	46,500
<b>Total streets &amp; improvements</b>	<b>341,771</b>	<b>286,936</b>	<b>54,835</b>	<b>376,797</b>

(continued)

**CITY OF RICHMOND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts For the Year Ended June 30, 2005)**

	2006			
	Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
<b>Parks, recreation &amp; public property:</b>				
Salaries and employee benefits	2,686	2,335	351	24,597
Travel and convention	756	746	10	540
Office expense	1,250	1,210	40	1,123
Maintenance	12,250	12,085	165	8,001
Bonds and insurance	3,895	3,740	155	2,578
Lighting	1,230	1,121	109	951
Other	600	600	-	1,344
Recreation programs	1,377	1,377	-	-
Black and white days	13,095	12,558	537	10,746
Art council	15,500	15,278	222	-
Capital outlay	-	-	-	-
<b>Total parks, recreation &amp; public property</b>	<b>52,639</b>	<b>51,050</b>	<b>1,589</b>	<b>49,880</b>
<b>Library:</b>				
Salaries and employee benefits	34,547	33,863	684	39,567
Office expense	1,680	1,560	120	1,436
Supplies	1,115	858	257	48
Maintenance	368	328	40	677
Professional	100	105	(5)	-
Bonds and insurance	3,695	3,587	108	3,261
Books and book transfer charges	3,500	2,981	519	3,297
Automation	3,450	3,273	177	3,422
Utilities	3,492	3,320	172	2,758
Other	241	154	87	408
Capital outlay	-	-	-	-
Grants	17,965	18,345	(380)	3,877
<b>Total library</b>	<b>70,153</b>	<b>68,374</b>	<b>1,779</b>	<b>58,751</b>
<b>Total expenditures</b>	<b>743,118</b>	<b>672,645</b>	<b>70,473</b>	<b>754,165</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>52,019</b>	<b>170,114</b>	<b>118,095</b>	<b>(36,328)</b>

(continued)

**CITY OF RICHMOND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts For the Year Ended June 30, 2005)**

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Other financing sources (uses):				
Transfers in (out):				
Capital projects fund	\$ (44,519)	\$ -	44,519	\$ 15,271
Special revenue fund	(7,500)	(7,500)	-	(7,500)
Total other financing sources (uses)	(52,019)	(7,500)	44,519	7,771
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses:	-	162,614	162,614	(28,557)
Fund balance - beginning of year	108,682	108,682	-	137,239
Fund balance - end of year	\$ 108,682	\$ 271,296	\$ 162,614	108,682

This page is intentionally left blank



**CITY OF RICHMOND**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2006**  
**(With Comparative Amounts at June 30, 2005)**

	<u>Cub River Sports Complex</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>	
			<u>2006</u>	<u>2005</u>
<u>Assets</u>				
Pooled cash & cash equivalents	\$ 264	\$ 136,144	\$ 136,408	\$ 61,587
Accounts receivable, net	-	-	-	-
Total assets	<u>\$ 264</u>	<u>\$ 136,144</u>	<u>\$ 136,408</u>	<u>\$ 61,587</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Unreserved, undesignated	<u>264</u>	<u>136,144</u>	<u>136,408</u>	<u>61,587</u>
Total fund balance	<u>264</u>	<u>136,144</u>	<u>136,408</u>	<u>61,587</u>
Total liabilities & fund balance	<u>\$ 264</u>	<u>\$ 136,144</u>	<u>\$ 136,408</u>	<u>\$ 61,587</u>

**CITY OF RICHMOND**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts for the Year Ended June 30, 2005)**

	Cub River Sports Complex	Capital Projects Fund	Total Nonmajor Governmental Funds	
			2006	2005
Revenues:				
Intergovernmental revenue	\$ 6	\$ 72,055	\$ 72,061	\$ -
Miscellaneous revenues	-	2,760	2,760	1,404
Total revenues	6	74,815	74,821	1,404
Expenditures:				
Parks, recreation and public property	7,500	-	7,500	7,500
Total expenditures	7,500	-	7,500	7,500
Excess of revenues over expenditures	(7,494)	74,815	67,321	(6,096)
Other financing sources (uses):				
Transfers in (out)	7,500	-	7,500	(7,771)
Total other financing sources (uses)	7,500	-	7,500	(7,771)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	6	74,815	74,821	(13,867)
Fund balance - July 1	258	61,329	61,587	75,454
Fund balance - June 30	\$ 264	\$ 136,144	\$ 136,408	\$ 61,587

**CITY OF RICHMOND  
CUB RIVER SPORTS COMPLEX  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2006  
( With Comparative Amounts for the Year Ended June 30, 2005)**

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Revenues:				
Intergovernmental	\$ 6	\$ 6	\$ -	\$ -
Total revenues	6	6	-	-
Expenditures:				
Parks and recreation	7,500	7,500	-	7,500
Total expenditures	7,500	7,500	-	7,500
Excess (deficiency) of revenue over expenditures	(7,494)	(7,494)	-	(7,500)
Other financing sources:				
Transfers in	7,500	7,500	-	7,500
Total other financing sources	7,500	7,500	-	7,500
Excess of revenues and other financing sources over expenditures	\$ 6	\$ 6	\$ -	\$ -

**CITY OF RICHMOND**  
**CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts for the Year Ended June 30, 2005)**

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Revenues:</b>				
Intergovernmental revenue	\$ -	\$ 72,055	\$ 72,055	\$ -
Miscellaneous revenues	2,731	2,760	29	1,404
<b>Total revenues</b>	<b>2,731</b>	<b>74,815</b>	<b>72,084</b>	<b>1,404</b>
<b>Expenditures:</b>				
	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>2,731</b>	<b>74,815</b>	<b>72,084</b>	<b>1,404</b>
<b>Other financing sources (uses):</b>				
Transfers in	44,519	-	(44,519)	34,131
Transfers out	-	-	-	(49,402)
<b>Total other financing sources (uses)</b>	<b>44,519</b>	<b>-</b>	<b>(44,519)</b>	<b>(15,271)</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>47,250</b>	<b>74,815</b>	<b>27,565</b>	<b>(13,867)</b>
<b>Fund balance - July 1</b>	<b>61,329</b>	<b>61,329</b>	<b>-</b>	<b>75,196</b>
<b>Fund balance - June 30</b>	<b>\$ 108,579</b>	<b>\$ 136,144</b>	<b>\$ 27,565</b>	<b>\$ 61,329</b>

**CITY OF RICHMOND**  
**WATER UTILITY FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts for the Year Ended June 30, 2005)**

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Operating revenues:				
Services	\$ 265,600	\$ 281,845	\$ 16,245	\$ 235,788
Connection fees	4,260	4,260	-	14,398
Miscellaneous	-	500	500	12,575
Total operating revenues	<u>269,860</u>	<u>286,605</u>	<u>16,745</u>	<u>262,761</u>
Operating expenses:				
Salaries and benefits	38,041	40,967	(2,926)	44,262
Current expenses	81,586	80,224	1,362	30,703
Depreciation expenses	<u>77,450</u>	<u>77,451</u>	<u>(1)</u>	<u>77,959</u>
Total operating expenses	<u>197,077</u>	<u>198,642</u>	<u>(1,565)</u>	<u>152,924</u>
Operating Income	<u>72,783</u>	<u>87,963</u>	<u>15,180</u>	<u>109,837</u>
Non-operating income (expenses):				
Impact fees	12,750	12,883	133	21,802
Interest expense	(8,146)	(7,873)	273	(3,794)
Interest income	<u>13,750</u>	<u>13,806</u>	<u>56</u>	<u>7,002</u>
Total non-operating income (expense)	<u>18,354</u>	<u>18,816</u>	<u>462</u>	<u>25,010</u>
Net income (loss)	<u>\$ 91,137</u>	<u>\$ 106,779</u>	<u>\$ 15,642</u>	<u>\$ 134,847</u>

**CITY OF RICHMOND**  
**SEWER FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2006**  
**(With Comparative Amounts For the Year Ended June 30, 2005)**

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Operating revenues:				
Services	\$ 188,050	\$ 194,977	\$ 6,927	\$ 198,421
Connection fees/other	30,824	30,824	-	7,668
Total operating revenues	218,874	225,801	6,927	206,089
Operating expenses:				
Salaries and benefits	30,232	32,777	(2,545)	36,709
Current expenses	69,461	68,262	1,199	67,501
Depreciation expenses	38,710	37,707	1,003	35,929
Total operating expenses	138,403	138,746	(343)	140,139
Operating income	80,471	87,055	6,584	65,950
Non-operating income (expenses):				
Impact fee	7,202	7,202	-	11,634
Interest income	17,050	17,244	194	10,210
Interest expense	(16,170)	(15,305)	865	(22,041)
Total non-operating income (expense)	8,082	9,141	1,059	(197)
Net income (loss)	\$ 88,553	\$ 96,196	\$ 7,643	\$ 65,753

This page is intentionally left blank

**CITY OF RICHMOND**  
**AGENCY FUND**  
**SCHEDULE OF ADDITION AND DELETIONS**  
**For the Year Ended June 30, 2006**

	<u>Richmond Cemetery District</u>
Additions:	
Property taxes	\$ 18,044
Burial fees	10,600
Grave plot purchases	1,600
Interest	<u>6,369</u>
Total additions	<u>36,613</u>
Deletions:	
Salaries and benefits	20,962
Other expenses	<u>11,645</u>
Total deletions	<u>32,607</u>
Net change in fund	<u><u>\$ 4,006</u></u>



**CITY OF RICHMOND  
SUPPLEMENTAL SCHEDULE  
SCHEDULE OF IMPACT FEES**

	<u>2005</u>	<u>2006</u>
<b>Beginning Balance:</b>		
Impact Fees - Water	\$ -	\$ -
Impact Fees - Sewer	-	2,565
<b>Additions:</b>		
Impact Fees - Water	21,802	12,883
Impact Fees - Sewer	11,634	7,202
<b>Interest:</b>		
Impact Fees - Water	-	
Impact Fees - Sewer	-	185
<b>Deletions:</b>		
Impact Fees - Water	(21,802)	(12,883)
Impact Fees - Sewer	(9,069)	-
<b>Ending Balance:</b>		
Impact Fees - Water	-	-
Impact Fees - Sewer	<u>2,565</u>	<u>9,952</u>
	<u>\$ 2,565</u>	<u>\$ 9,952</u>

The notes to the financial statements are an integral part of this statement.

This page is intentionally left blank

**CITY OF RICHMOND  
GOVERNMENTAL AUDIT REPORT  
June 30, 2006**



Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
Richmond City  
Richmond, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond, Utah (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated November 14, 2006.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated November 14, 2006.

This report is intended for the information of the City Council and management, and certain legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alfred Jackson

November 14, 2006

**STATE COMPLIANCE REPORT**



Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and City Council  
Richmond City  
Richmond, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond City, Utah (the City), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 14, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

Class C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City of Richmond's financial statements.)

Public Library Services Development Grant (Department of Community and  
Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues

Truth in Taxation and  
Property Tax Limitations

Impact fees  
Uniform Building Code Standards

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Richmond City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Peterson Alfred Jackson

November 14, 2006





Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

November 14, 2006

Honorable Mayor and City Council  
Richmond City  
Richmond, Utah

Dear Mayor Panter:

In planning and performing our audit of the financial statements of Richmond, Utah (the City), as of and for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to internal control structure (other than "reportable conditions") and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized.

**PRIOR YEAR FINDINGS:**

Finding: *Fund financial statements.* The City does not reconcile the financial statements on a fund basis throughout the year.

Recommendation: Classify the financial statements in a fund format on a monthly basis. Monthly cash, receivable, and payable classifications will need to be booked in order to conform to the fund financial statement format. This format will give the City better information in a timely manner.

Management Response: Richmond City will look at reconciling the financial statements on a fund basis throughout the budget year.

Status: The City did not implement fund financial statements during the year. See current year finding.

Finding: *Interest allocation.* No interest income was allocated to the water and sewer impact fee cash accounts during the year.

Recommendation: Establish a method for allocating interest income to funds and post interest earnings on a monthly basis.

Management Response: Richmond City will establish a method for allocating all interest income and post interest on a monthly basis.

Status: Interest was not allocated during the year. A year-end auditor adjustment did reflect the interest earnings to the restricted cash account. The City should begin reflecting interest earnings on all impact fee restricted amounts.

Finding: *Submitted audit report.* The audit report was submitted after the State of Utah required date.

Recommendation: Submit the audit report no later than December 31<sup>st</sup> of each year.

Management Response: Richmond City will submit the audit report before the due date.

Status: The audit report was done on a timely basis for fiscal year 2005 and 2006.

#### **CURRENT YEAR FINDINGS:**

Finding: *Fund financial statements.* The City does not reconcile the financial statements on a fund basis throughout the year. This is a repeat finding.

Recommendation: Classify the financial statements in a fund format on a monthly basis. Monthly cash, receivable, and payable classifications will need to be booked in order to conform to the fund financial statement format. This format will give the City better information in a timely manner.

Management Response: The City feels that the Council is receiving the information needed to make all pertinent decisions and chooses to not implement this finding at this time.

Finding: *General fund unreserved fund balance.* The State requires that cities must maintain an unreserved general fund balance of at least 5% not to exceed 18% of the next year's budgeted general fund revenues. The City was in excess of the maximum amount by approximately \$127,000 as of June 30, 2006.

Recommendation: Establish a plan to reduce the general unreserved fund balance by approximately \$127,000 during the next year.

Management Response: Richmond City will monitor the General Fund unreserved fund balance to ensure compliance with state required mandates and not exceed 18% of the next budgeted general fund revenues.

Finding: *Treasurer Fidelity Bond.* The State requires that cities must secure a fidelity bond, based on the previous year's budgeted gross revenues. The City did not have a bond as of 6/30/06.

Recommendation: Calculate the amount of the bond required and secure the appropriate bond for the treasurer.

Management Response: The City has already obtained a treasurer fidelity bond.

In conclusion, we wish to recognize Chris Purser and Justin Lewis for the excellent services provided to Richmond City. They have been most cooperative in assisting us in the performance of the audit for the 2005-2006 fiscal year. The performance of the Richmond City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

*Peterson Allred Jackson*

PETERSON ALLRED JACKSON